
April 23, 2003

Drug Makers Expand Their Medicaid Role

By MELODY PETERSEN

A growing number of pharmaceutical companies are offering to take on prominent public health roles in helping to care for the sickest poor patients in some states.

Under the agreements, the drug companies create guidelines for treating Medicaid patients with chronic conditions like asthma and diabetes. The companies then pay for case workers to help patients follow the guidelines — for example, by phoning them to remind them of the importance of taking their medicine regularly and eating properly. The case workers also talk to the patients' doctors so that care focuses on managing disease rather than treating an acute event like an asthma attack.

The drug companies say the programs save taxpayers millions of dollars by keeping Medicaid patients out of the hospital. But critics of the programs say the drug companies are sponsoring them to persuade state governments to drop efforts to demand lower drug prices. The critics say there is no proof that the programs save money, and that states could save far more by demanding lower prices from the pharmaceutical companies.

For example, independent analysts for the Florida Legislature have told lawmakers that the state could save \$64 million next year if it scrapped its own program and forced the participating companies to provide greater discounts instead.

Critics also say that treatment guidelines devised by the drug companies may rely too heavily on the use of medicines — especially those sold by the sponsoring company — at the expense of alternatives like diet and exercise.

"This is a Medicaid program that is run the way the drug company wants it run," said Bernard P. Horn, policy director at the Center for Policy Alternatives, a nonprofit, nonpartisan group that specializes in state government issues. "This is one more tactic that these companies are using to avoid the states' attempts to pay a fair price for drugs."

Florida started the trend in 2001 when it allowed [Pfizer](#) to provide the services and later negotiated similar deals with [Bristol-Myers Squibb](#) and [GlaxoSmithKline](#). More recently, Eli Lilly has set up similar programs at no cost to taxpayers in Arkansas and Colorado. The drug companies say they are now talking to many other states, including New York, New Jersey and Connecticut.

By providing the programs in Florida, the three drug companies avoided the state's recent requirement that pharmaceutical manufacturers give the state greater discounts or have their medicines excluded from a new list of preferred drugs for Medicaid patients.

More than 25 states have created such lists to try to rein in Medicaid drug costs. Sales of drugs not included on the lists have been shown to swiftly fall because doctors must get special approval before

prescribing them. The drug companies say that the lists hurt patients by limiting access to medicines.

By offering the disease management programs, Pfizer got all its products included on Florida's list, which has quickly paid off. Since the program started in June 2001, Pfizer has been getting a greater share of the more than \$1.5 billion that Florida spends on Medicaid drugs each year. Last year, the state's Medicaid program bought \$122.4 million of Pfizer products — a 22.6 percent increase, according to state figures, versus a 14.5 percent increase in Florida's Medicaid drug spending over all.

Those numbers have set off a debate as the program comes up for renewal.

In Florida, analysts at the Office of Program Policy Analysis and Government Accountability calculated that the state could save \$64 million next year by ending the drug-company program and seeking greater discounts instead.

The analysts showed that in medicine categories where all manufacturers were forced to provide greater discounts, the cost of medicines purchased had fallen by more than 20 percent. They said the state could benefit from similar savings in other categories if all companies were forced to provide the discounts. The analysts also said that the methodologies the drug companies were using to calculate savings from the disease management programs were vague.

State Senator Walter Campbell Jr., a Democrat, said that he believed that the programs were proving to be a boon to the pharmaceutical companies while providing no benefit to Florida citizens. "It is just another way for the state to give away taxpayer dollars," he said.

But the drug companies and Florida Medicaid officials say the programs are working to save money and improve the health of some of the sickest patients.

Bob Sharpe, director of Florida's Medicaid program, said he was already negotiating with the drug makers to extend the programs for another year. Mr. Sharpe said he believed that Pfizer would be able to show that it saved the state \$15 million in the first year as the company promised to do. Pfizer and state officials plan to release a report on those savings in coming weeks.

"These programs not only yield savings but they are an investment in people," Mr. Sharpe said. "This is something that will save us money year after year."

Many patients have lost weight, begun exercising or changed their diets, he said, since Pfizer's program began. The programs are not designed as drug marketing programs, he said, and do not recommend specific brands of medicine.

If Pfizer does not meet the \$15 million in savings it has guaranteed, the company will pay the state the difference. But the company says it is confident it will meet that goal.

"This is great for patients and is a great investment for the health plan," said John B. Sory, vice president of Pfizer Health Solutions.

In calculating the savings, Pfizer is allowed to include free medicines — valued at about \$1 million — it provides to clinics caring for Medicaid patients. It can include the cost of paying for 60 case workers. Also included will be millions of dollars the state got from the federal government because of the creation of the disease management programs.

Still, Mr. Sory said, most of the calculation will consist of the health costs avoided because of better patient care. In a hint of what those savings may include, Pfizer said that a preliminary review had found that emergency room visits among asthma patients had fallen 3 percent.

Pfizer executives say that the 22.6 percent increase in sales of the company's products to Florida last year is similar to sales increases in other states and is not tied to the disease management services it is providing.

About 13,000 Florida Medicaid patients who suffer from asthma, diabetes, hypertension or heart failure are participating in Pfizer's program. The company reviewed past Medicaid claims to identify patients who were at the highest risk of being hospitalized. A network of 60 case workers, who are attached to local hospitals, contacted those patients, urging them to join the program. The case workers then regularly talk to participants about how to better manage their condition.

Larry J. Brown, a 44-year-old Gainesville resident who suffers from diabetes, said he had lost about 80 pounds since beginning Pfizer's program last year. "They'll make sure you get your medicine on time and everything," he said. "I feel a thousand times better."

Gov. Jeb Bush and Henry A. McKinnell, Pfizer's chief executive, agreed that the drug maker could provide the program in private discussions that began in 2000, according to Pfizer executives.

Pfizer has been a major supporter of the governor, contributing at least \$120,000 to the state Republican party during Governor Bush's recent re-election campaign — an amount far greater than its contributions to the state party in two earlier elections.

Pfizer says it is talking to other states, including New York, where Gov. George E. Pataki has proposed the creation of a list of preferred Medicaid drugs, similar to Florida's.

William Van Slyke, a spokesman for the New York State Department of Health, said that several pharmaceutical companies had offered disease management services to the state. "It is something we're looking into," he said.

Medicaid officials in New Jersey and Connecticut also said they were talking to drug companies about the programs. "The manufacturers have all said that we could control costs without a preferred drug list if we implemented an intensive disease management program," said Michael P. Starkowski, deputy commissioner at the Department of Social Services in Connecticut.

Eli Lilly and other drug companies are offering the services at no cost to some states to show government officials just how much money they could save.

"We want to be part of a solution," said Tarra D. Ryker, a spokeswoman for Lilly.

Lilly, which is based in Indianapolis, is spending nearly \$1 million in Colorado for programs for patients with diabetes and schizophrenia, two conditions that its products treat. The drug company is also paying for a program for 200 diabetes patients in Arkansas. It says it will not disclose the cost of that program until this fall when it plans to reveal how much money it saved.

But some who have studied the programs are skeptical.

In a review of Florida's program by the Henry J. Kaiser Family Foundation, analysts noted that the drug

company programs created a potential conflict of interest.

"If a competitor's product is proven to be more effective than that of the manufacturer running the disease management program, will patients receive the most effective product if it drives market share away from the disease management sponsor's product?" the report asked.

And Dr. Thomas Bodenheimer, a professor at the University of California at San Francisco, said the drug makers had so far not been able to prove that their programs saved money. The companies have been offering the programs, mostly to health insurers, since the mid-1990's.

Dr. Bodenheimer said that some well-designed disease management programs offered by other sponsors had been shown to save money, especially for patients with congestive heart failure or asthma. But so far, he said, the drug companies have not been able to prove their savings by doing a statistically valid analysis.

"It is like money down a rat hole," he said.

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